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BEFORE THE ARIZONA CORPORATION COMMISSION

MIKE GLEASON
Chairman
WILLIAM A. MUNDELL
Commissioner
JEFF HATCH-MILLER
Commissioner
KRISTIN K. MAYES
Commissioner
GARY PIERCE
Commissioner

Arizona Corporation Commission

DOCKETED

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IN THE MATTER OF THE APPLICATION
OF UNS GAS, INC. FOR APPROVAL OF
ITS DEMAND-SIDE MANAGEMENT
SURCHARGE FOR JUNE 1, 2008,
THROUGH MAY 31, 2009

DOCKET NOS. G-04204A-06-0463
G-04204A-06-0013
G-04204A-05-0831

DECISION NO. 70359ORDER

Open Meeting
May 6 and 7, 2008
Phoenix, Arizona

BY THE COMMISSION:

FINDINGS OF FACT

1. UNS Gas, Inc. ("UNS Gas") is engaged in providing natural gas within portions of Arizona, pursuant to authority granted by the Arizona Corporation Commission.

2. On April 1, 2008, UNS Gas filed an application for Commission approval to reset its demand-side management ("DSM") surcharge from \$0.0025 per therm to \$0.0026 per therm, effective June 1, 2008 through May 31, 2009, for an increase of \$0.0001 per therm. The current DSM surcharge was established on November 27, 2007, in Decision No. 70011, and will be in effect through May 31, 2008.

3. The UNS Gas DSM adjustor was initially set to recover all of the low-income weatherization program budget and 25 percent of new program budgets. Decision No. 70011 also established an annual reset, with April 1 as the filing date and June 1 as the effective date. This decision also ordered that the UNS Gas DSM portfolio be reviewed in a docket separate from the

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1 rate case, and that semi-annual DSM reports be filed with the Commission on March 1 and
2 September 1 of each year.

3 4. The UNS Gas DSM portfolio was approved on February 27, 2008, in Decision
4 No. 70180, and consists of four programs: Low-income Weatherization ("LIW"), Energy Smart
5 Homes ("ESH"), Efficient Home Heating ("EHH") and Commercial and Industrial Gas Efficiency
6 ("C&I"). The LIW program is an ongoing UNS Gas program, in place for a number of years prior
7 to being moved into the DSM portfolio, while the ESH, EHH and C&I programs are new and set
8 to begin operations in June 2008.

9 5. In its application to reset the adjustor UNS Gas projects a funding level of
10 \$373,577, which represents: (i) the entire cost of the low-income weatherization program
11 (\$113,400); (ii) 25 percent of new program budgets ($\$920,000 \times .25 = \$230,000$); and (iii) a
12 \$30,177 balance resulting primarily from under-collection of costs related to program planning,
13 development and evaluation during 2007. Based on forecasted therm sales of 142,167,747 for
14 June 2008 through May 2009, the requested per-therm surcharge of \$0.0026 would cover the
15 \$373,577 funding level. The design of the proposed DSM adjustor surcharge essentially matches
16 that set in the rate case decision.

17 6. Staff has reviewed UNS Gas' April 1, 2008, filing requesting that the DSM adjustor
18 be reset to \$0.0026 per therm. Staff has also reviewed the semi-annual DSM report filed by the
19 Company on February 28, 2008, and Company responses to Staff's data requests in this matter.

20 7. Based on its review, Staff believes that a DSM adjustor rate of \$0.0026 per therm
21 for the June 2008 through May 2009 billing cycles is reasonable. To the extent that UNS Gas'
22 DSM spending is higher or lower than projected, the positive or negative balance would be taken
23 into account as part of the calculations for the reset in the following year.

24 8. Average therm usage for UNS Gas residential customers in 2007 was 45 therms per
25 month. At this level of usage, the proposed change in the DSM adjustor would increase an
26 average residential customer's monthly bill by \$0.0045.

27 9. Staff has recommended approval of a UNS Gas DSM adjustor rate of \$0.0026 per
28 therm, applicable to the June 1, 2008, through May 31, 2009 billing cycles.

CONCLUSIONS OF LAW

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2 1. UNS Gas is an Arizona public service corporation within the meaning of Article
3 XV, Section 2, of the Arizona Constitution.

4 2. The Commission has jurisdiction over UNS Gas and over the subject matter of the
5 application.

6 3. The Commission, having reviewed the application and Staff's Memorandum dated
7 April 22, 2008, concludes that it is in the public interest to approve the UNS Gas, Inc. Demand-
8 Side Management Surcharge for June 1, 2008 through May 31, 2009.

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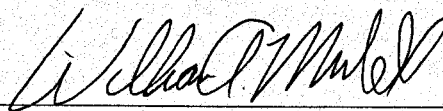
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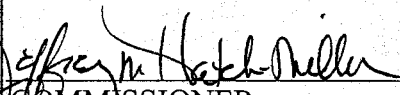
IT IS THEREFORE ORDERED that the UNS Gas DSM Surcharge for June 1, 2008 through May 31, 2009, be and hereby is approved.

IT IS FURTHER ORDERED that this Decision shall become effective immediately.

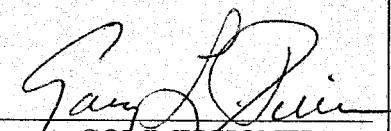
BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION


CHAIRMAN

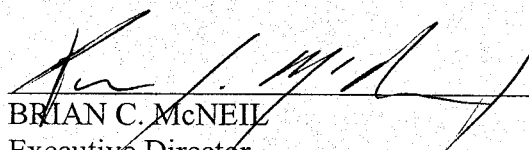

COMMISSIONER


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COMMISSIONER

IN WITNESS WHEREOF, I, BRIAN C. McNEIL, Executive Director of the Arizona Corporation Commission, have hereunto, set my hand and caused the official seal of this Commission to be affixed at the Capitol, in the City of Phoenix, this 16th day of May, 2008.


BRIAN C. McNEIL
Executive Director

DISSENT: _____

DISSENT: _____

EGJ:JKM:lhv\MAS

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